

Message Text

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ACTION IO-14

INFO OCT-01 ADP-00 AF-10 ARA-11 EA-11 EUR-25 NEA-10 RSC-01

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TO SECSTATE WASHDC 3038

INFO AEC GERMANTOWN

UNCLAS IAEA VIENNA 5294

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TAGS: AORG, AFIN, IAEA

SUBJECT: IAEA FINANCES - THIRD QUARTER ECONOMY MEASURES

REF: (A) VIENNA 5000; (B) VIENNA 5222

1. SUMMARY: DUE TO CONTINUED LOW US DOLLAR/ AUSTRIAN SCHILLING RATE, DG HAS INSTITUTED PACKAGE NEW ECONOMY MEASURES FOR THIRD QUARTER. OUTLOOK NOT TOO BAD FOR MAINTAINING LEVEL OF SUPPLEMENTAL ASSESSMENT AT \$1.25- MILLION, AS APPROVED BY JUNE BOARD, UNLESS THERE IS FURTHER DETERIORATION IN DOLLAR/ SCHILLING RATE. PICTURE SHOULD BECOME CLEARER UPON COMPLETION MID- YEAR FINANCIAL REVIEW ABOUT MID- JULY. END SUMMARY.

2. US DOLLAR/ AUSTRIAN SCHILLING (AS) EXCHANGE RATE HAS HOVERED AROUND AS18.90 TO US \$1.00 FOR ABOUT TWO WEEKS, WITH SOME SPECULATION IN AUSTRIAN PRESS THAT IT COULD DROP EVEN LOWER. TENTATIVE AND UNOFFICIAL AGENCY ESTIMATE IS THAT IF RATE REMAINS AROUND AS 19.00 TO US \$1.00 FOR BALANCE CY 1973, COST TO AGENCY WILL BE ABOUT \$750,00 ADDITIONAL TO COSTS CITED IN DOCUMENT GOV/1594 (WHICH FIGURED AT AS 21.00 TO UNCLASSIFIED

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US \$1.00) JUSTIFYING SUPPLEMENTAL APPROPRIATION OF \$1.32- MILLION AND SUPPLEMENTAL ASSESSMENT OF \$1.25- MILLION FOR 1973, APPROVED BY BOARD IN JUNE MEETING (REFTEL A).

3. AS CONSEQUENCE, DG ON JUNE 20 ISSUED INSTRUCTIONS FOR NEW ECONOMY MEASURES, INCLUDING (BUT NOT LIMITED TO) FOLLOWING:

A. RENEWED PERSONNEL RECRUITMENT FREEZE - SEPTEL.

B. REDUCTION BY 50 PER CENT IN FUNDS REMAINING AS OF JUNE 30 FOR CONSULTANTS WITHIN ORIGINAL CY 73 FINANCIAL PLAN; CONSULTANT SERVICES FINANCED BY SPECIAL CONTRIBUTIONS TOWARD EXPANDED ENVIRONMENT PROGRAM EXEMPTED.

C. MINIMIZATION NUMBER OF PARTICIPANTS FINANCED BY AGENCY IN AGENCY MEETINGS (SEPTEL FOLLOWS ON THIS POINT), WITH HOST COUNTRIES ENCOURAGED TO ASSUME ADMINISTRATIVE AND SECRETARIAL RESPONSIBILITIES.

D. ELIMINATION OF AGENCY STAFF PARTICIPATION IN NON- AGENCY MEETINGS AWAY FROM VIENNA EXCEPT WHEN QTE THERE IS SUBSTANTIAL AND CONVINCING DIRECT BENEFIT TO AN AGENCY PROGRAM UNQTE.

E. TWENTY PER CENT REDUCTION IN TRAVEL FUNDS REMAINING AS OF JUNE 30 WITHIN ORIGINAL CY 73 FINANCIAL PLAN; INSPECTION TRAVEL AND TRAVEL IN SUPPORT OF EXPANDED ENVIRONMENT PROGRAM EXEMPTED.

F. EQUIPMENT PURCHASES OTHER THAN EMERGENCY REPLACEMENTS DEFERRED FOR BALANCE OF YEAR.

G. TELEPHONE AND CABLES TO BE REPLACED BY CORRESPONDENCE; MONTHLY REPORT BE DIVISION TO BE SUBMITTED TO REGULAR DG/ DDG MEETINGS.

H. USE OF AIR FREIGHT LARGELY ELIMINATED, EXCEPT IN CASES SPECIALLY REVIEWED BY MANAGEMENT SERVICES.
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4. NO EXACT ESTIMATE YET POSSIBLE OF SAVINGS FROM ABOVE MEASURES PENDING COMPLETION OF AGENCY MID- YEAR FINANCIAL REVIEW WHICH WILL BEGIN ON JUNE 30 AND BE COMPLETED ABOUT MID- JULY. UNOFFICIAL SECRETARIAT ESTIMATE IS THAT THESE MEASURES, COMBINED WITH SAVINGS DURING MAY/ JUNE AND OTHERS LIKELY TO BECOME AVAILABLE,

PLUS PROBABLE UNANTICIPATED INCREASE IN OTHER
REVENUES COULD POSSIBLY COVER ALL BUT ABOUT \$150-200,000
OF SHORTFALL.

5. WITH DG AND MANY OTHER KEY OFFICIALS OUT OF TOWN,
FURTHER CONSIDERATION OF THIS PROBLEM WILL BE
DEFERRED UNTIL AFTER MID- YEAR REVIEW COMPLETED. IT
APPEARS TO MISSION THAT BARRING FURTHER DETERIORATION
OF DOLLAR/ SCHILLING RATE, MEASURES SUCH AS THOSE
ABOVE MIGHT SUFFICE TO CONTAIN PROBLEM WITHIN APPROVED
LEVEL FOR SUPPLEMENTAL ASSESSMENT. ON OTHER HAND,
THERE MAY WELL BE SOME DAMAGING AFTER- EFFECTS ON AGENCY PROGRAM,
ESPECIALLY IN AREAS NORMALLY INVOLVING GREAT DEAL OF
COOPERATION AND INTERCHANGE WITH OTHER ORGANIZATIONS,
AND ANYWHERE IN AGENCY THAT IS UNFORTUNATELY ENOUGH
TO HAVE HIGH STAFF TURNOVER DURING THIS PERIOD.

6. IN EVENT DOLLAR/ SCHILLING RATE DROPS SIGNIFICANTLY
FURTHER, MISSION FEELS THAT ALL BETS WILL BE OFF AND
MEMBERS WILL HAVE TO CONSIDER WHETHER TO RESCUE
APPROVED PROGRAM BY INCREASING SUPPLEMENTAL OR ACCEPT
MAJOR PROGRAM CUTS. MISSION WILL REPORT FURTHER ON
PROPOSED AGENCY MEASURES AFTER MID- YEAR REVIEW
COMPLETED IN JULY. LABOWITZ

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